

Message Text

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ACTION EA-14

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CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 SWF-02 L-03 PA-04

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SUBJ: LARGER COMPANIES REQUIRED TO SUBSIDIZE RICE IMPORTS FOR THEIR
EMPLOYEES AND TO PARTICIPATE IN RICE AND CORN GROWING ENTERPRIS
ES

1. ACCORDING TO PRESIDENTIAL GENERAL ORDER NO. 47 ISSUED LATE
IN MAY AND NOW BEING IMPLEMENTED, ALL CORPORATIONS AND PARTNER-
SHIPS OPERATING FOR A PROFIT IN THE PHILIPPINES WITH 500 OR MORE
EMPLOYEES ARE REQUIRED, IF IT WILL NOT AFFECT THEIR FINANCIAL
VIABILITY, TO PROVIDE FOR THE RICE AND CORN NEEDS OF THEIR
EMPLOYEES.

2. THE COMPANIES, ACCORDING TO THE GENERAL ORDER, CAN OBTAIN
RICE EITHER BY ENGAGING IN PRODUCTION OR IMPORTING. SINCE TIME
IS REQUIRED TO DEVELOP PRODUCTION, IT IS EXPECTED THAT THE ORDER
WILL BE IMPLEMENTED DURING THE THREE MONTHS OF JULY-SEPTEMBER
BY IMPORTS OF RICE ONLY. THE CEREAL ALLOCATION THE COMPANIES
ARE BEING ASKED TO MAKE IS ONE SACK OF 50 KILOS PER EMPLOYEE
PER MONTH OR 150 KILOS FOR THE THREE MONTHS. IT IS ESTIMATED
THAT ABOUT 35,000 TO 50,000 METRIC TONS OF RICE WILL BE INVOLVED.
THIS QUANTITY IS, OF COURSE, SMALL COMPARED WITH AN ESTIMATED
CONSUMPTION OF RICE FOR FOOD IN THE PHILIPPINES OF AROUND
3,600,000 TONS IN 1974.

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3. COMPANIES ARE REQUIRED TO SELL RICE TO THEIR EMPLOYEES AT THE OFFICIAL PRICE CEILING OF 1.90 PESOS (27.5 CENTS) PER KILO AND TO UNDERTAKE THE IMPORTATION OF RICE THROUGH THE NATIONAL GRAINS AUTHORITY, PAYING THE LATTER THE CIF COST PLUS A 1 PERCENT SERVICE CHARGE. ARTICLES IN THE NEWSPAPERS ON JUNE 24, 1974 SAID THREE COMPANIES HAD ALREADY PURCHASED 36,642 BAGS OF RICE AT A COST OF 6,282,491 PESOS OR 3.43 PESOS (51.5 CENTS) PER KILO.

4. OVER THE LONGER PERIOD, THE COMPANIES OF OVER 500 EMPLOYEES ARE REQUIRED TO USE IDLE LAND THAT THEY MIGHT ALREADY HAVE FOR RICE AND CORN PRODUCTION. THOSE WITHOUT SUCH LAND ARE TO BE GIVEN THE RIGHT TO LEASE PUBLIC AGRICULTURAL LANDS OR IDLE PRIVATE LANDS. CORPORATIONS CAN ORGANIZE COMBINES OR GROUPS IF THEY CONSIDER THAT THEY CANNOT ECONOMICALLY UNDERTAKE PRODUCTION BY THEMSELVES. THEY ARE TO BE ALLOWED TO LEASE LANDS FOR THREE TO TWENTY-FIVE YEARS WITH THE RIGHT TO RENEWAL FOR ANOTHER TWENTY-FIVE YEARS. THE GOVERNMENT IS REPORTED TO BE IDENTIFYING PUBLIC LANDS AVAILABLE FOR SUCH LEASES AND 250,000 HECTARES ARE SAID TO HAVE BEEN SO IDENTIFIED BY JUNE 25TH.

5. DISCUSSING REASONS FOR THE ISSUANCE OF THE PRESIDENTIAL ORDER, JESUS TANCHANCO, HEAD OF THE NATIONAL GRAINS AUTHORITY, QUOTED FAO REPORTS "THAT THERE WILL BE WORLD-WIDE STARVATION SHOULD THERE BE ANY SHORT FALL IN PRODUCTION IN ANY PART OF THE WORLD." HE ADDED THAT "WE ARE FORTUNATE THAT THE PHILIPPINES IS NOT WITHIN THE (FAMINE) BELT, AND THAT WE ARE NOT EXPERIENCING FOOD SHORTAGES IN OUR COUNTRY." HE NOTED, HOWEVER, THAT "WHERE BEFORE WE USED TO IMPORT RICE AT \$72 TO (80 PER METRIC TON, THE SAME RICE NOW COSTS US FROM \$515 TO \$700." "DESPITE AN ALL-TIME HIGH HARVEST...WE SHOULD PURSUE OUR RICE PRODUCTION PROGRAM WITH UNRELENTING EFFORTS TO ASSURE THE COUNTRY OF SUFFICIENT FOOD SUPPLY."

6. COMMENT. THE RICE SITUATION IN THE PHILIPPINES IS EASIER THAN IT WAS A YEAR AGO BUT THE GOVERNMENT IS ABVIOUSLY CONCERNED REGARDING ADEQUATE SUPPLIES FOR THE LEAN MONTHS OF JULY, AUGUST, AND SEPTEMBER BEFORE THE PRINCIPAL RICE HARVEST BEGINS. DESPITE A RECORD RICE HARVEST, THE NATIONAL GRAINS AUTHORITY PURCHASED 30,000 TONS OF BROKEN RICE FROM THAILAND FOR ABOUT \$440 PER TON C&F EARLIER IN THE SPRING AND IN JUNE 50,000 TONS FROM MAILAND UNCLASSIFIED

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CHINA FOR \$470 C&F. THE NATIONAL GRAINS AUTHORITY NOW CLAIMS TO HAVE ALMOST 200,000 METRIC TONS OF RICE ON HAND.

THE NGA, HOWEVER, HAS THE PROBLEM THAT IT CANNOT SELL IMPORTED RICE AT THE PRESENT CEILING PRICE OF \$285 PER TON WITHOUT LOSING SUBSTANTIAL SUMS OF MONEY. ON THE LAST TWO PURCHASES THE LOSS WOULD BE AN AVERAGE OF \$174 PER TON OR A TOTAL OF \$13.9 MILLION NOT ALLOWING FOR MARKETING COSTS FOR THE IMPORTED GRAIN. UNDER GENERAL

ORDER NO. 47 MUCH OF THIS LOSS WOULD BE ASSUMED BY THE LARGER COMPANIES. SINCE MOST OF THE LARGE COMPANIES ARE IN MANILA AND OTHER URBAN AREAS, THE GENERAL ORDER SHOULD TEND TO STABILIZE RICE PRICES IN THESE IMPORTANT MARKETS.

THE NEW ORDER REQUIRING CORPORATE FARMING RAISES A QUESTION AS TO WHETHER THE GOVERNMENT OF THE PHILIPPINES HAS REVERSED ITS ANNOUNCED POLICY OF HAVING RICE AND CORN LANDS IN SMALL FARMS WORKED BY THE OWNERS. AT ITS BEST CORPORATE FARMING CONCEIVABLY COULD PRODUCE SUBSTANTIAL QUANTITIES OF RICE AND CORN. THERE ALREADY HAVE BEEN SOME NOTABLE SUCCESSES WITH CORPORATE FARMING OF RICE AND CORN AND, OF COURSE, THE PHILIPPINES HAS LARGE PLANTATIONS IN SUGAR, PINEAPPLE, BANANAS AND COCONUTS. MANY OF THE COMPANIES, HOWEVER, HAVE NO EXPERIENCE IN FARMING AND IF THEY ARE TO BE SUCCESSFUL WILL HAVE TO FIND COMPETENT MANAGEMENT AND MAKE SUBSTANTIAL INVESTMENTS. MUCH OF THE AVAILABLE LAND MAY NOT BE IDEAL FOR RICE AND CORN. IT REMAINS TO BE SEEN WHETHER PRESSURE ON THE COMPANIES TO IMPLEMENT THIS PROGRAM CONTINUES AFTER SEVERAL MONTHS.

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